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Education Finance in the States: Its Past, Present and Future

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Constructing New Finance Models that Balance Equity, Adequacy and Efficiency with Responsiveness

by James W. Guthrie

As America enters what technically will be the first school year of the new millennium, a policy issue looms that is almost as fundamental as that resulting from *Brown v. Board of Education*.

Dramatic enrollment growth, ensuring financial "adequacy," maintaining gains in distributional equality, coping with intensified needs for classroom teachers, incorporating electronic technology into instruction, satisfying public preferences for greater diversity in schools and programs, devising performance incentives and "accountability" procedures – these are all likely to pose major challenges for policymakers wrestling with education finance.

But there is another, more vexing issue that portends such fundamental changes in education governance and finance as to subordinate unto it all the above-listed challenges and engulf them in an intense vortex of policy conflict.

The likely most powerful policy stimulus, at least for the foreseeable future, is that the judicial system is beginning to take state constitutions at their word.

Judges are no longer simply asserting that education funding must be equitable and sufficient. Increasingly, they claim that it is a state's responsibility to ensure that school services are of a quality sufficient to ensure that a student is capable of good citizenship, empowered to participate productively in the economy and personally fulfilled.

In the past, legislators and governors met state constitutional requirements by compelling school attendance, ensuring free schooling and inducing the formation of districts.

From such restricted policy beginnings sprang a minor branch of theology that came to be known as "local control." It is this mantra, more than any other, that provided a framework for education policy choices and judicial remedies in the 19th and 20th centuries. And it is this mantra that will likely succumb to other values in the 21st century.

The Evolving Policy Context of Education Finance

Education finance was once a field dominated by arcane issues of state taxation, dollar distribution and statistical measurement. As such, the field was usually allotted only a remote alcove in the domain of public policymaking.

Now, however, emerging issues of resource adequacy and performance funding are elevating education finance into the main arena of policy debate and onto the front lines of social and behavioral science research.

Modern efforts by state governments to promulgate education standards for students and schools have breathed new life into legal strategies and policy efforts linking public financing to education "equity" and "adequacy." In the last half of the 20th century, school finance experts were occupied with the means for

measuring, and ways of achieving, per-pupil resource parity. As the 21st century unfolds, the principal issues in the field of education finance have become far more encompassing. The old equity issues have not disappeared. It is simply that emerging adequacy and efficiency considerations must now be addressed in addition.

The new challenge is to rethink local control: to identify creative links between judicially mandated or inspired aspirations for pupil performance, related levels of necessary financial resources and conventional mechanisms for rendering the education system responsive to students and taxpayers.

The Evolution of Modern Education Finance

Nineteenth and early 20th-century state and federal school finance arrangements concentrated on inducements for states to construct public schools and colleges, staff them, extend the range of grades and services offered and share costs between local and state sources.

Beginning with the post-World War II civil rights movement, judicial and legislative efforts were made to gain access to public schools for a wider portion of the population. Racially segregated schools were struck down by *Brown v. Board of Education*. Disabled students were included in public schools by the courts and then by Congress. Greater gender equity was facilitated by the 1978 Higher Education Act. *Lau v. Nichols* assisted in the provision of services to limited-English proficient students.

Education finance reform was a parallel issue in the 1960s. Thanks particularly to the pioneering efforts of Arthur Wise, Jack Coons, William H. Clune and Stephen D. Sugarman, legal arguments were constructed stretching the mantle of the U.S. Constitution's Fourteenth Amendment – the “equal protection clause” – to intrastate school finance disparities.

The outcome of an early Illinois equal-protection case, *Ogilvie v. McGuinness*, was discouraging to reform advocates. The plaintiffs, representing poor children in low-wealth Illinois districts, asked the court for a remedy by which funding would be distributed in keeping with children's education needs. The court, citing the difficulty in constructing a judicially manageable solution, rejected plaintiffs' pleas.

This rejection emphasized for Wise, Coons, Clune and Sugarman the need for developing a legal standard by which to judge the acceptability of wealth disparity remedies. The result of their efforts was what today is known as the “principle of fiscal neutrality.” This is a negative principle, specifying that a link between local or household wealth and the quality of a child's schooling is unacceptable. The principle does not specify what a remedy should be – only what it cannot be. Nevertheless, formation of this idea enabled the education finance equal-protection crusade to proceed.

Another reform setback occurred with the U.S. Supreme Court's narrow negation of plaintiffs' position in a Texas case, *Rodriguez v. San Antonio*. The court rejected arguments that education was a fundamental interest recognized under the U.S. Constitution or that the rights of a suspect classification were abridged. As a result, the court specified that a state's education finance distributional arrangements need not necessarily be subjected to heightened scrutiny. If a state education finance system could be deemed “rational,” regardless of its distributional or tax impact consequences, then it could also be judged constitutional.

Plaintiffs' failure to prevail in *Rodriguez* meant that there would be no sweeping federal judicial indictment of education finance wealth disparities, at least for a while. With a quarter-century of hindsight, it now is apparent that this U.S. Supreme Court decision may have done school advocates a great service.

Rodriguez' failure to identify education as a federally guaranteed constitutional right forced reformers to rely upon state constitutional provisions regarding education. It is these same state constitutional provisions that are emerging as 21st-century policy engines for dramatically altering education finance and governance.

In the wake of *Rodriguez*, many state courts were willing to strike unequal financing conditions, relying upon state constitutional education and equal-protection provisions. In New Jersey, the state's Supreme Court decision in *Robinson v. Cahill* eventually undid a conventional foundation formula that failed to equalize to any but the most moderate per-pupil spending levels. Similarly, in California, the judicial system's rejection of wealth disparities, in *Serrano v. Priest*, triggered a massive reform of the state's school finance mechanisms. These cases, and ones like them in other states, seldom led to rapid solutions. It took New Jersey and California three decades, and many intervening trials and legislative tribulations, to lay the issue to rest, and even today it could all end up in court again.

Despite their complexity, these “first wave” equal-protection cases involved what in retrospect were simple matters of fact and applications of law. Low-wealth school districts could not generate the same revenue per pupil as high-wealth school districts – at least not without imposing a higher burden on their taxpayers. Both the spending disparities and the potential taxpayer inequities appeared unfair to plaintiffs and arguably violated equal protection or other state constitutional provisions. Plaintiffs claimed there was an unacceptable link between local district property wealth and per-pupil resources. In at least two dozen instances, states have agreed with plaintiffs.

Growing Centralization of Decisionmaking: The New Era of State Dominance

Legislative efforts to comply with equal protection-based judicial decisions began to centralize education finance authority. Under the prevailing legal logic, only state governments were in a position to ensure that differences in local property wealth were equalized. State efforts to equalize financing characterized finance reform throughout much of the latter quarter of the 20th century. Local school district authority regarding tax rates and spending levels began to decrease accordingly.

Most equal-protection finance solutions, however, left standing the remaining fundamental responsibilities of local districts. Legal compliance necessitated state control to ensure the flow of equal resources, but there was no judicial mandate for states to guarantee the quality of a child’s schooling.

In the last decade of the 20th century, this condition was about to be changed.

In 1989, the Kentucky Supreme Court made what was to be the most far-reaching decision any court had ever issued in a school finance-related case. Going well beyond conventional equity considerations, the court ruled in the *Rose* case that the entire system of public schooling in Kentucky had to be reformed in order to provide students with an equal opportunity to achieve a court-specified set of learning standards. This was the onset of a new set of legal theories surrounding the idea of “adequacy.”

Kentucky thus embarked upon a long trail of altered school governance mechanisms, new curricula, state testing, performance incentives and personnel standards.

A new reform theory and a new round of court cases would soon follow.

The Emergence of the State as the Guarantor of Education Quality

The *Rose* decision and its progeny could portend a new paradigm for American education finance and governance.

Court decisions in Massachusetts, Wyoming, Alabama, Arkansas, Wisconsin, New York and North Carolina hold the state responsible not simply for ensuring that local schools are funded equitably or even sufficiently, but for (1) ensuring that schools pursue higher than heretofore codified standards, (2) providing disproportionate resources to disadvantaged students and, through direct provision or intense oversight, (3) guaranteeing that instruction is of a high quality.

The Wisconsin Supreme Court’s most recent decision, for example, holds the state accountable for ensuring schooling that “will equip students for their roles as citizens and enable them to succeed economically and personally.” The court specifies that the purpose of an adequacy criterion is to “*adopt a standard that will equalize outcomes, not merely inputs.*”

In a similar vein, New York trial judge Leland DeGrasse in January 2001 rejected as insufficient for the 21st century a conventional state constitutional standard of “basic literacy,” and specified instead the necessity of schooling for “productive citizenship – not just voting or sitting on a jury, but doing so capably and knowledgeably.” The judge went on to charge schools with closing “the disconnect between the skills of the state’s and city’s labor force and the skills of the high-technology sector.”

In the *Leandro* case in North Carolina, the trial judge ruled that performance “at grade level” on state-specified curriculum standards is the minimum acceptable. He went on to insist that “*economically disadvantaged students need services and opportunities above those provided to the general student population.*”

The Wyoming Supreme Court, in its recent *Campbell II* decision, makes clear that it is the state’s responsibility

not simply to ensure that funding is sufficient to provide a “proper” and “unsurpassed” education system, but also to ensure that the best educational opportunities are made available to disadvantaged students, be they poor, non-English speaking or disabled.

A case filed in California by the American Civil Liberties Union (ACLU), but not yet at trial, rejects altogether the state’s contention that its responsibilities end upon provision of adequate financing and subsequent reliance upon local control. The ACLU complaint contends that inadequate provision of items such as textbooks, facilities and certified teachers, even if it is the immediate fault of local administrators, is the ultimate responsibility of the state to correct.

In short, the judicial system, unencumbered by narrow political constraints often felt by more directly elected publicly officials, is taking state constitutions literally. If a constitution charges the state with provision of schooling, then the state must ensure that such schooling is of a quality tailored to 21st century needs.

As states are being held accountable to new and higher education standards, they are being goaded into far more intense actions about the actual provision of schooling. What once was the clear and protected domain of local school board members and superintendents is now increasingly the responsibility of state officials.

Here, then, is the challenge facing the policy system in the early part of the 21st century:

How can new mechanisms of centralized authority over resources and quality be meshed with longstanding American political expectations for community responsiveness and locally overseen economic efficiency?

Policy Alternatives for Recalibrating State and Local Control

There are a variety of means by which elected officials can redesign the conventional local-control framework in order to comply with emerging equity, adequacy and performance challenges. From the spectrum of available alternatives, five archetypes have been distilled and are described below. In fact, components of these five models can be mixed and matched in an almost infinite matrix.

If one imagines a decision or authority spectrum anchored at one end by centralized decisionmaking and at the other end by decentralized decision making, then what follows illustrates different points on that continuum. This practical spectrum places a powerful state education agency on one end, local school districts in the middle and household-controlled voucher plans on the other end.

- ! The first policy alternative is one in which state government operates and regulates local schools.
- ! The second policy alternative continues the idea of state regulation of education, but allows for vendors or private providers to deliver instruction under a charter from the state.
- ! The third alternative places heavier-than-typical decisionmaking with the state, but enables local districts to continue to make operating decisions, such as hiring teachers.
- ! The fourth alternative keeps many of the current functions of local school districts intact, but accords the state a larger oversight role.
- ! A fifth alternative, vouchers, dramatically alters relationships between public schools and clients.

Readers should understand that what follows is analysis and not advocacy, and little appraisal is offered regarding the political feasibility of any of the alternatives.

Alternative 1: A single state education system

A single and uniform state system would no longer involve local school districts in activities such as the setting of the school curriculum, hiring of teachers and administrators, selecting course grading criteria or report card formats or purchasing textbooks.

Rather, a statewide education system would be a component of the executive branch, with a statewide school board such as presently exists in most states. Such a board could either be elected or appointed. If appointed, decisions would have to be made as to the nature of the appointing authority, the governor or some other authority. Alternatively, education – like transportation, health and other policy areas – could simply be a component of the executive branch and have a chief executive who reported directly to the governor.

Under either scenario – either with or without a state board of education, be the state board elected or appointed – the state's education administrative agency would need a chief executive officer. It would not be sensible, and would badly dilute accountability; to have the chief executive officer elected statewide, as now occurs in approximately 15 states. Rather, the chief executive would be appointed, either by the state board or by the governor. In the latter case, the education chief executive presumably would be a member of the governor's cabinet.

A reconstituted state education department would oversee and operate a statewide education system. It would have two broad kinds of functions. One function would be an operating component performing many of the activities now undertaken by local school districts' central offices.

The state's operating arm for schools would recruit, employ and induct classroom teachers and other professional educators and assign them to schools, or at least to regional offices, throughout a state. It would pay teachers and other employees. It also would select and purchase items such as school buses, supplies, petroleum, food and all the other goods and services that schools consume. It would directly determine or assign to regional offices the responsibility for determining student attendance boundaries and the location of new school buildings.

In addition to this operating arm, a newly empowered state education department would continue in its current role of interpreting policies made by the legislature, and possibly by the state board of education, and move to implement them via directives to local schools. The state education department would also have responsibility for directly overseeing the administration of federally funded education programs.

Teacher licensure provides a good example of how the state would have a dual role in a single state school system. The new state education department would have responsibility for interpreting and implementing legislation regarding teaching training and licensing, and would also be responsible for ensuring that the teachers it was hiring and assigning to local schools possessed appropriate credentials. This latter function would formerly have been undertaken by a local school district. Now it would be a state responsibility.

School principals, teachers and other school employees would be employees of the state. They might be supervised directly by state officials, either centrally or out of regional state education department offices. A state agency would be responsible for setting salaries of teachers and administrators, using a process similar to that now used to establish salaries for other state employees.

Equity, or at least equal treatment of students in similar situations, would be maximized through state control of education's mission, money and measurement. Taxation for the support of public education would be statewide. Local districts and local district taxing authority would be abandoned. Educators would be state employees paid consistent with a statewide salary schedule. A state agency would be responsible for constructing student performance standards, tests and measurements; teacher training criteria, hiring and compensation; administrator standards; transportation standards and the like.

Financial resources, in a single state system, would flow from a state agency to individual schools, not to a school district. The state would assume all existing local school debt-service obligations. A school's financial and personnel resource level would be a function of state formulas. School construction – including financing, planning and oversight – would become the responsibility of a state agency.

By moving to a single and uniform state system, a state could save money from the following consolidations. There would no longer be a need for school boards and local school board elections. There would be no more local school district bond and debt-service elections. School district superintendents and all central office staff would be eliminated. School district offices would not have to be operated, and utility bills would be reduced. There would be no such entity as a "small school district," and as a consequence, no need for a distribution formula adjustment for such districts.

The tradeoff involved in a full state system would be in terms of citizen participation and responsiveness to local preferences and conditions. In order to at least partially compensate, the state might well choose to have local parent advisory boards at each school to assist principals in the design and conduct of the school's program. Consideration could also be given to permitting schools to make trades between budgetary categories.

Regardless of how wrenching such a change might be; it would not be without operational counterparts. Most

of America's children attend school in large systems. In fact, 25% of students attend school in only 1% of the nation's districts. In these settings, there is a direct link between local schools and a remote central management and decisionmaking apparatus.

Alternative 2: A single state education system with a capacity for charters or contracts

This policy alternative places the state (through an education agency) strongly in control of public education's mission, money and measurement, and leaves instructional methods and school operation and management to individual vendors or "contractors."

Under this scenario, there would, again, be no local school districts – although there might be regional state offices. The state education agency might have a governance arrangement paralleling that outlined in the prior description of a uniform state system. There might or might not be a state board of education; and, if there were, it could be either elected or appointed. These matters would be at the legislature's discretion. If there were no state education board, however constituted, education might be an agency in the executive branch under the direct administration of the governor. Presumably, the governor would appoint the chief state school officer, in circumstances where there was no state board of education to undertake such an appointment.

In this policy alternative, unlike its previously described model, the state education department would not have an operating arm. It would still have a regulatory arm, but would not itself manage schools, employ educators, issue paychecks, purchase textbooks, buy or operate buses, and so on.

Instead, the state education department would outsource the operation of local schools. Contractors would bid to operate state schools by responding to requests for proposals (RFPs) issued by the state. Each school or group of schools would, in effect, be charter schools. The nature of the charter would be at the discretion of the state education agency.

The purpose of an individual school, its expected standards of performance for pupils, its generalized mode(s) of instruction, its spending level and the means by which its performance would be judged could all be part of a bidding and contracting system.

Local school districts, at least as known now, would disappear. A state-issued RFP would describe the student population to be served and the outcomes required to be produced, and bidders would agree to produce stated outcomes for an agreed-upon fee. Vendors failing to produce desired outcomes would lose their contract. Arrangements could be made for vendors to lease and pay existing debt service on school facilities. Statewide arrangements could be made to assist in a transition of teachers from a state retirement system to a system of individual retirement accounts.

Who might bid to operate a school or several schools for the state? Nonprofit organizations, such as the YMCA, might bid. Perhaps a state's teachers union would bid to operate a school. Perhaps a joint venture submission involving administrators and teachers would like to bid to continue operating their present public school. Perhaps a private for-profit firm such as Edison or Sylvan Learning Systems would bid.

The principal differences between such a statewide system of charters and the status quo are that (1) teachers, classified employees, such as custodians and bus drivers, and administrators would no longer be public employees, (2) there would be no local school districts, and (3) more decisions regarding the strategic direction of schools would be made by the state through issuance of contracts to vendors. Few decisions regarding the operation of schools would be made at the state level. The state would provide mission, money and measurement, and independent vendors would provide management. As long as vendors produced expected outcomes, the state presumably would not interfere.

A statewide charter system could ensure compliance with adequacy suits. For example, by specifying levels of service or outcomes for at-risk students, the state would set a standard and maintain oversight. If vendors failed to bid on such a contract, claiming that there was insufficient financing to comply with the at-risk service specification, the state would know that resources were inadequate and would have to elevate them. At the same time, by issuing RFPs and contracting for services, the state would retain control over costs. Market competition would set the actual costs. The state would know precisely what it cost to deliver a "basket of expectations" established either by a legislature or a court.

The state could enhance citizen participation by enlisting parental and citizen assistance in designing the RFPs for a community's school. Thereafter, the state could let parents interview bidders. Finally, by enabling parents

in sufficiently populated settings to choose their child's charter school from among a range of geographically clustered schools, an element of competition would be inserted into what is now a monopoly situation. Vendors could not survive if parents did not choose to attend their schools, at least where household choice of schools was practical. This would elevate accountability.

Many questions are raised by such a vastly different approach to the operation of local schools. Would such a plan require a constitutional amendment? How would the state make a transition to such a plan? Is it not unlikely that all public schools could be converted quickly? What would happen if an insufficient number of suppliers came to the market? Would the state have to continue to operate small schools in rural areas? What would be the role of the state if a vendor defaulted on the operation of a school?

Answers to many such questions have been generated in other contexts, and could be constructed for a particular state. However, it is sufficient here to note that the design of a statewide charter system is complicated and would take time and patience.

Alternative 3: Local district operating system with multiple state categorical aid programs

This policy variant retains local school districts, but substantially constrains their decision authority.

"Categorical" in this context refers to the manner in which local officials could use a state's funds. If the state constructed categorical programs, for example, for vocational education, special education services for disabled students, instruction for at-risk students, and programs for limited-English proficient students, then the state would want to ensure that specified funds were in fact spent either on target groups, on the goods and services specified in the formula, or both, as intended.

School districts would retain locally elected officials and appointed chief executives. A local district, as now is true, would determine the major portion of its curriculum, employ and send paychecks to teachers, determine attendance boundaries and policies, hire administrators, arrange student activities and programs, and perform many other current functions.

However – and here is where this policy alternative would differ most dramatically from the status quo – school districts would be obligated to spend eligible funds in the manner specified by a state-defined allocation formula.

Under this alternative, in addition to the possibility of a "core" operating grant, the state would make categorical funding available to the district and its schools. These funds would be targeted for provision of a variety of additional programs for students with special needs and interests. A district or school could spend categorical funds only in keeping with state-specified purposes. A district would likely be subject to heavy fiscal accountability for such specialized funding.

The enforcement of categorical funding could occur in either of two ways. "Categorical" could mean either that funding is spent for a target group of students, or that it is spent on a set of goods and services specified by the state. (It could also be interpreted in both these ways.)

For example, if a state's elementary school distribution formula generated a teacher aide for every five low-income students, a local district would have to ensure through accounting procedures that it had complied. The fact that the superintendent or principal might decide such funds were better spent reducing class size would be of little consequence.

The state could decide that as long as revenues were spent on the targeted category of students, how they were spent would be left to local operating officials. Or the state could determine funds had to be spent for state-specified items such as aides or supplies or computers. Finally, the state could decide to enforce spending on both the target clientele and the specified goods and services.

Thirty years of federal government experience with this strategy has revealed its deleterious effects. Each categorical program promotes formation of a political constituency that then seeks to protect its interests, at the risk of interrupting the operating integrity of the overall school program.

On the other hand, the categorical approach has this advantage: It would ensure compliance with adequacy rulings while at the same time preserving local school districts.

Alternative 4: Local district operating system with a heavily monitored cost-based block grant

This variant also permits the continuation of local districts, performing many of the conventional functions. They would design their curricula, hire teachers and custodians, design bus routes, purchase textbooks, and so on. However, this alternative implies an increased state presence in local school districts through significantly enhanced state oversight and auditing necessary to comply with court rulings.

To ensure that special-needs and special-interest students were served adequately and to ensure that the state was not unduly exposed to local districts spending funds in a way that was less than cost-effective, the state would have to engage in significantly more oversight of local decisionmaking. In effect, each local school district would have one or more state department officials (program monitors and auditors) responsible for approving its intended expenditures and, periodically, inspecting its actual practices.

Among the functions these state inspectors would perform is continuously collecting information on the design, costs and student performance outcomes of programs for special-needs and at-risk students. This sustained information gathering would constitute a useful feedback loop enabling the state to continuously refine the provision and its funding of special programs.

Under this more heavily monitored or regulated block-grant model, districts would continue to be provided with discretion to trade funds from one spending category to another, at least for conventional students. They might, however, be obligated to prove that deviations from state funding formula norms in certain areas were justified. District spending discretion might be substantially curtailed.

Such a policy system leaves local school districts in place. Presumably, this would continue the practice of substantial local citizen influence over many school activities. Citizens would have access to a locally elected set of decisionmakers and would not have to prevail upon state officials to try to shape school decisions.

This policy alternative would, however, substantially constrain local decisions, at least in areas of special programming. The state could not afford to permit local decisions to jeopardize the declared "adequacy" of a program for a protected class of students or a protected activity, such as instruction for limited-English proficient students or vocational education. In order to protect students and programs, and protect itself against claims of inadequacy of instruction, the state would be forced to engage in greater oversight than it does now. Such monitoring would necessitate expansion of most state education departments.

Still, regardless of whatever additions might be necessary for a state department of education to operate, this scenario seems to require fewer changes to what exists than any other described here.

Alternative 5: Making the household the primary decision unit

Voucher plans formally empower households as education decision units. As such, they represent bold departures from the convention of local school district control. However, they do offer a vehicle through which states could simultaneously comply with judicial decisions to ensure adequate schooling, and political preferences for client responsiveness.

In the writings of John Stuart Mill and others, Coons and Sugarman have identified the elements of vouchers operating in 19th century England. Modern consideration of vouchers began in earnest with the 1956 publication by Milton and Rose Friedman of *Capitalism and Freedom*, which argued for what today are known as unregulated vouchers. Under their plan, states would distribute warrants to households, which then would be free to redeem them at schools of their choice, be they private, public or something in between.

Over the years, vouchers have alternately been embraced by ideologues of the left and right. Opinion polls often reveal substantial public enthusiasm for the idea, particularly among parents in urban areas. However, the idea has attracted little in the way of practical support. Only in Milwaukee, Cleveland and San Antonio have public voucher plans been implemented on any recognizable scale. In each instance, they have been accompanied by sustained and heated controversy, and have drawn mixed reviews as to their effects on student achievement. In that they enable parents to select religiously affiliated schools, they also provoke questions of constitutional acceptability.

Whether or not vouchers will ever become politically acceptable in America – or whether providers of instruction will be willing to submit to the degree of market regulation likely necessary to ensure judicial

compliance with standards of quality – is another set of questions.

Comparing Policy Alternatives

The above policy alternatives can be placed on the horizontal axis in a matrix that contains values on a vertical dimension. The resulting template facilitates comparisons and evaluations.

Value/Policy Alternative	State System of Individual Local Schools	State System with Contract Schools	Local Districts and Categorical Aid Programs	State Oversight of Local Districts Receiving Block Grants	Vouchers
Equality of opportunity for students	All similarly situated students mandated to be treated the same	State-issued contracts specifying equal treatment	Categorical programs designed to augment regular schooling	State auditors or inspectors oversee provision of special services	All similarly situated students funded equally
Ensuring provision of the "best" education	State responsibility exercised through direct operation	State responsibility through legal contracts with vendors	Local responsibility, state enforcement	Local responsibility, state oversight	Parent responsibility
Responsive to parents' and policymakers' preferences	Only remotely sensitive to local preferences	Locals shape RFPs and choose schools through attendance	Remains as is, limited by state oversight of categorical programs	Remains as is, subject to heavier state oversight	Best feature
Efficient and innovative use of tax revenues	Diminished by absence of local participation in revenue generation	Enhanced through vendor competition	Diminished by absence of local participation in revenue generation	Diminished by absence of local participation in revenue generation. Still, modest innovation possible	Could be quite efficient
Employer	State	Vendor	Local district	Local district	Vendor
Control of waste and fraud	State, via direct operation of local schools	State, via the market	State, via regulation	State, via inspection and audit	Market

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